

Commonwealth of Massachusetts

# **THE GOVERNOR'S BUDGET RECOMMENDATION**

Deval L. Patrick, Governor  
Timothy P. Murray, Lt. Governor



[www.mass.gov/budget/governor](http://www.mass.gov/budget/governor)

Fiscal Year 2014  
House 1

Volume 1  
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The Governor's Budget Recommendation is available on-line at:

**[www.mass.gov/budget/governor](http://www.mass.gov/budget/governor)**

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### **Background of the Massachusetts State Budget**

House 1 is a legal document and submitted in the form of a bill. It is the beginning of the process that creates the annual Massachusetts state budget that funds all aspects of state government: the Courts, Legislature, Executive Branch agencies, dozens of boards and some authorities. House 1 recommends funding levels for a fiscal year beginning on July 1 and ending on June 30.

The Governor's budget is called "House 1" because the House Clerk's office has traditionally reserved the first bill number in each legislative session for the Governor's budget. In the second year of the legislative session, the bill is numbered "House 2". The State Constitution (MGL Chapter 29, section 6D) requires the Governor to file the budget by the fourth Wednesday in January.

Because this bill is a legal document it may be confusing at times to understand or locate specific information. This guide is designed to help users locate information most important to them in a quick and efficient manner.

### **What's new about this year's budget?**

This year the Governor is presenting the budget recommendation in a new program format. This approach provides a comprehensive view on how dollars will be spent by agencies and directly translates into services provided to citizens.

Program budgeting improves state agencies' ability to manage and budget by results. Agencies will identify and report to the public on outcomes for each program as part of the strategic planning process being undertaken this year by each Secretariat. The result will be an unprecedented level of accountability for how tax dollars are being spent.

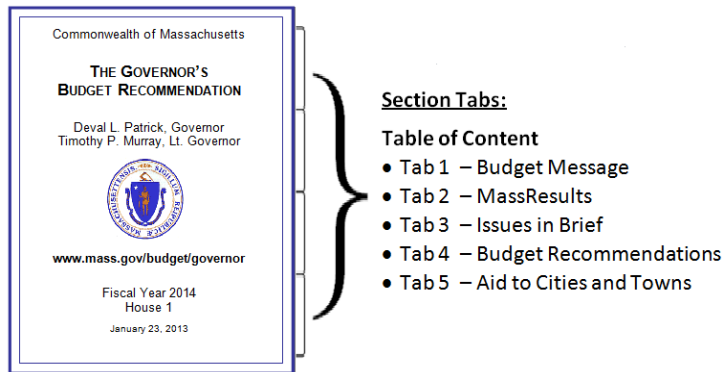
### **The Governor's Budget Recommendation (House1)**

The Governor's Budget Recommendation (House 1) is separated into two volumes. Both volumes are available on-line and can be downloaded and printed by the user. A navigational guide for the on-line version of the budget is provided at: [www.mass.gov/budget/governor](http://www.mass.gov/budget/governor)

### **Volume 1**

Volume 1 contains narratives that outline the framework of the Administration's priorities for the coming Fiscal Year beginning July 1, 2013, summaries of achievements in certain key initiatives during the past fiscal year, as well as the recommendations for spending in program format at the funding source level (budgetary appropriations, federal grants, trust accounts and capital spending). The on-line view of Volume 1 includes additional detail on the specific line items or accounts that fund each program and a search capacity that will permit the public to look up programs or areas of interest by department, key word, account line item and other criteria.

**Volume 1** is divided into five sections:



### **Budget Message – tab 1**

Both the Governor and the Secretary of Executive Office for Administration and Finance offer an overview of the issues and opportunities which the Commonwealth faces during the upcoming fiscal year. The budget narrative emphasizes why and how decisions have been made in developing the FY2014 budget and the impact it will have on residents and businesses of the Commonwealth.

### **MassResults – tab 2**

MassResults builds on the Administration's overarching goal for transparency and aligns strategic planning initiatives to continue to improve the Commonwealth's ability to budget and manage based on results. It describes significant achievements and projected goals for the Executive Office for Administration and Finance's Commonwealth Performance, Accountability and Transparency Office (CPAT). This Office was created as part of the FY2012 budget and provides leadership within and across Executive Branch agencies in areas such as federal grants management and reporting, strategic planning, development of program outcome measures, audit tracking and compliance, Open Checkbook and other transparency initiatives.

### **Issues in Brief – tab 3**

This section describes the core policy initiatives that the Administration embraces. These narratives provide a clear description of key issues facing the Commonwealth and the Administration's accomplishments and plans for addressing each issue. The Governor's priorities are comprised of four main initiatives and other key initiatives as listed below.

#### ***Governor Patrick's Priorities***

- Investing in Education to Close the Achievement Gap
- Investing in Innovation and Infrastructure to Create Jobs, Expand Opportunity
- Expanding Access to Affordable, Quality Health Care
- Building Stronger, Safer Communities Through Positive Youth Development & Youth Violence Prevention

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### ***Changing the Way Government Does Business***

- Raising Revenue for Critical Investments
- Transportation Reform
- Workforce Development and Community College Reform
- Higher Education Affordability
- Retiree Health Reform
- Investing in Our Communities
- Public Housing Reform
- Pharmacy Reform
- Innovations to Improve Operations
- Access for Children, Youth, and Families
- Lowering Health Care Costs to Businesses
- Sheriff Funding Review
- Court Re-Alignment
- Accelerated Energy Program
- Improving Government Performance

### **Budget Recommendations – tab 4**

This section of Volume 1 contains the **FY2014 Program Budget Recommendations**.

### **FY2014 Program Budget Recommendations (Report Version)**

In this section of the FY2014 Governor's Budget, you will see the Administration's funding recommendations for the next fiscal year (July 1, 2013 – June 30, 2014) in program format. These recommendations are categorized in the following three sub-sections that progressively provide a greater level of detail to the reader:

#### **1. Executive Overview of Government Functions**

**Government Function** is a high-level way of reporting recommended funding levels for services provided by the Commonwealth. There are eleven major functions of government services. In some instances, the Government Function titles have similar names to Executive branch secretariats. However, more than one secretariat or department may contribute to providing a program under a Government Function. The location of a program under a Government Function is determined based on the content of the service being provided, not the department providing the service. All branches of Massachusetts state government are included in these eleven functional areas including the Executive Branch, Legislature, Judiciary, and Independent, and Constitutional Offices.

The Executive Overview of Government Functions section lists the eleven Government Functions and their descriptions. There is a bar graph at the top of the page to illustrate the FY2014 Recommended Spending for each Government Function and represents All Funds that support each Function, including budgetary appropriations, federal grant spending, trust spending, and capital spending.

## 2. Program Category Budget Detail

**Program Category** is the second level of reporting, which represents groupings of related programs that provide a detailed picture of the activities included in each of the eleven larger government functional areas.

This section describes the Program Categories and Programs associated with each of the eleven Government Functions and the FY2014 Recommended Spending. Government Functions are listed in alphabetical order as are Program Categories and Programs within each Program Category. A pie chart depicts the Program Categories included within that Government Function and the proportion of FY2014 Recommended Spending (All Funds) for each compared with the total spending for that Government Function. Below the pie chart, there is a listing of each of the Program Categories, its description and the Programs included in that Category. Recommended Spending levels are shown next to each Program for both FY2014 Budgetary Appropriations and FY2014 Recommended Spending (All Funds) including budgetary appropriations, federal grant spending, trust and capital spending.

## 3. Program Budget Recommendations

**Program** is a set of related activities or tasks that work together to achieve a common goal or objective. In the program budget, each program is identified with the agency (department or office) that provides the program and with a specific budgeted amount for that program. Funding for each program includes all sources of government funding that may finance the program. The funds may be either appropriated or administered by the Commonwealth. The “**All Funds**” reporting provides a clear picture of tangible spending values associated with each program.

The **All Funds Budget** for each program provides detail on the source and amount of funding including budgetary appropriations, federal grant spending, trust spending and capital spending.

The Program Budget Recommendations section provides additional detail on each **Program**. The section is organized by Government Function and Program Category in alphabetical order. The Program title is indicated by *italics*. For each Program, there is a short description followed by a list of departments that provide the Program. Under each department name is a list of the funding sources used by the department to support the Program and the current Fiscal Year (FY)2013 Projected Spending and FY2014 Recommended Spending (All Funds) including budgetary appropriations, federal grants, trusts and capital spending.

### ***FY2014 Program Budget Recommendations (On-Line Version)***

The on-line version of the Budget Recommendation section of the FY2014 Governor's Budget provides a drillable view of the program budget going from the eleven Government Functions to the Program Categories and Programs associated with each functional area. Users can continue to *drill down to funding sources and then to the specific accounts that fund each program*. A comparison of projected spending for the current Fiscal Year 2013 and proposed spending for the next Fiscal Year 2014 is provided for each account including budgetary appropriations, federal grants, trust accounts and capital spending. A robust [search feature](#) permits users to query the budget for items of interest. An on-line navigation guide is provided to help users with searches and drill-downs. The program budget is available on-line at: [www.mass.gov/budget/governor](http://www.mass.gov/budget/governor).

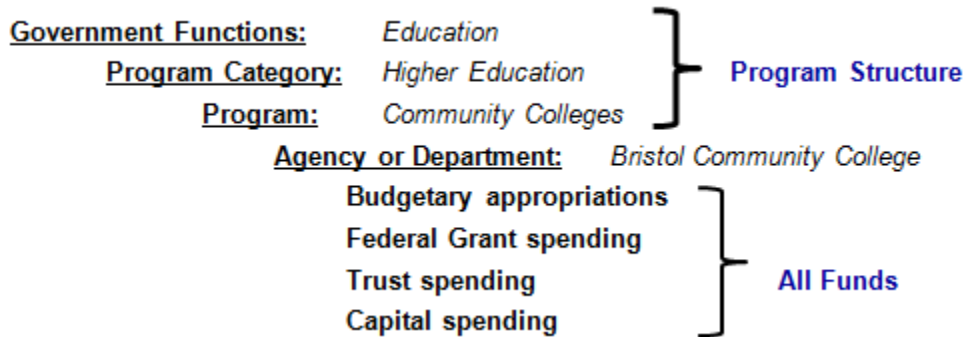
## Finding Program Information



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For many readers of the budget recommendation this year, finding the funding level for a specific service or area of interest is made easier since the budget recommendation is organized by program. It is not necessary to know the department providing the service. If you know the name or the type of service you are interested in, you can review the list of programs in the Budget Recommendation section of Volume 1 and see both the department providing the program and the recommended funding for that program.

*Here is an example of what is presented in the printed version of Volume 1.*



Program budgets are always presented with accompanying detail showing the department and dollar amount that the department proposes to spend for the program.

#### **Aid to Cities and Towns – tab 5**

Aid to Cities and Towns, otherwise known as local aid or Section 3, contains a descriptive narrative of the funding impact of the budget on the 351 municipalities in the Commonwealth, as well as a detailed alphabetical listing of all cities and towns.

**Volume 2:** Available on-line at: <http://www.mass.gov/budget/governor>

**Volume 2** features the budget development process, organization of state government, long term budget and revenue forecasts, financial statements, and detailed schedules as required by statute for appropriation recommendations (dollars and language), operating transfers, local aid, tax expenditures and outside sections of the proposed budget.

It elaborates in detail the financial schedules required by statute and includes funding recommendations at the line item or account level to support the programs listed in Volume 1. Volume 2 includes:

#### **Budget Development**

The budget development section introduces a discussion of the state's fiscal condition, financial policies, revenue trends, governance structure and specific challenges faced in the development of the FY2014 budget.

### Financial Statements

The financial statements include comprehensive charts that track actual versus projected revenues compared with spending for previous, current and upcoming fiscal years. Tracking spending from year to year is broken out by funds for all of the budgetary items. The Financial Statements section includes:

- Fiscal Note
- Financial Statement and Overview
- Fund Balance Tables
- Fund Charts and Descriptions

### Capital Budget

The capital budget section describes the Commonwealth's five-year capital investment plan, which includes accomplishments and initiatives to date, sources of capital funds, debt affordability policies, and description of capital investments by investment categories.

### Appropriation Recommendations

The Appropriations Recommendation section of Volume 2 provides detailed information at the account level of detail. Massachusetts General Law (MGL Chapter 29, section 6 D) dictates the format that all budget documents must follow and these required schedules are also included in this section. The section includes:

The **Preamble and Sections 1-1C** link takes users to the following links:

- Revenue by Source and Fund (section 1A)
- Non-Tax Revenue Summary (section 1B)
- Consolidated Transfers (section 1C)

The **Section 2 Preambles** link takes users to the following links:

- The Preamble for each government entity included in the House 1 bill which references sections 2 (line item appropriations), 2B (chargebacks), and 2D (federal and trust funds)

The **Line Item Recommendation** link takes users to the on-line line item or account version of the FY2014 Governor's Budget Recommendation. This is a drillable version of the line item budget and includes the following tabs:

- **Budget Detail** – This tab shows a table of all government areas, secretariats/independents and departments with the FY2014 Budgetary Recommendations; FY2014 Federal, Trust and Intergovernmental Service Funds (ISF) Recommendations; FY2014 House 1 and FY2014 Non-Tax Revenue for each entity. The user can drill down to the **Department Details** screen to see account level budget information for each department. The Department Details screen shows a table of **Account Types** (such as budgetary direct appropriations, federal grants, trusts, ISF and retained revenues) which can be opened to see details on specific accounts such as line item name and number, General Appropriations Act (GAA) amounts for two previous fiscal years, the current GAA amount, current year projected spending and the FY2014 House 1 amount for that account. Information on **Spending Categories** (such as wages and salaries) is also available on the Department Details screen.

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- **Budget Summary** – This tab shows FY2014 House 1, FY2014 Budgetary Recommendations and FY2014 Federal, Trust, and ISF Recommendation for all government areas. It gives a quick high level picture of the recommended spending levels across state organizations.
  - **Historical Budget** – This tab shows three prior years of budgeted GAA amounts, current fiscal year projected spending and FY2014 Budgetary Recommendations in a drillable format by government area, secretariat/independents and department. The user can drill down to the Department Details screen from this table.
  - **Historical Spending** – This tab shows actual spending for three prior years, projected current year spending and the FY2014 Budgetary Recommendations by Spending Category in a drillable format by government area, secretariat/independents and department. The user can drill down to the Department Details screen from this table.
  - **Historical Employment** – This tab shows the state workforce funded from budgetary appropriations for June of the preceding three fiscal years, approved levels for the current fiscal year and the projected level for FY2014 based upon the recommended budget in a drillable format by government area, secretariat/independents, and department. The user can drill down to the Department Details screen from this table.
  - **Account Search** – This tab permits the user to search for any line item account by entering an account number in 1234-5678 format (such as 1100-1100) or by entering keywords which are contained in the account description (such as education). The search results show in a table that includes the account number, department name, account name, account description and FY2014 House 1. Links in the account description take the user to relevant statutes and Executive Orders. The user can also access the Department Details screen from this table by drilling down on a department name.

The **Line Item Summary** link provides a listing of all line items in the FY2014 Governor's Budget Recommendation. Accounts are listed in numerical order. The listing also identifies each account that was consolidated into another line item. The listing displays the account number, title, funding received in the previous budget, current year spending, the FY2014 Recommendation, and a crosswalk notation that allows users to determine the location of former accounts.

### **What is a Line Item?**

Line items, also called accounts, represent the individual funding recommendation by agency, department or office. It is the unit by which the Legislature appropriates money. In most cases a single department may have multiple line items that make up a department's total budget.

## **Finding Line Item Information**

Line items consist of an eight-digit account number (e.g., 4403-2007). Each line item has language identifying the source of funding, the recommended appropriation amount and parameters on how the money may be spent.

In Volume 2, in order to locate information on a service or area of government in House 1, you must know where the account resides in the governmental hierarchy. A common structure for locating a line item is as follows:

**Secretariat →**  
**Department →**  
**Line Item (Account)**

For example, if information on “supplemental nutritional” funding in the Commonwealth is being sought, there must be a general understanding that this funding resides in the Department of Transitional Assistance within the Health and Human Service Secretariat:

**Executive Office of Health and Human Services**  
**Departmental of Transitional Assistance**  
**Supplemental Nutritional Program**

## **Agency Information**

The agency information link brings users to Secretariat and department web sites, organizational charts, key reports and related information such as statutes and Executive Orders that are relevant to each government entity.

## **Operating Transfers**

The operating transfers are stated in Section 2E of the bill known as House 1. This reflects spending that occurs in “off-budget” trust funds. While expenditures for these programs will continue to occur from trust funds, Section 2E reflects the spending that occurs through transfers to those funds. This section is particularly important to highlight the Governor’s commitment to transparency and accountability in the budget.

In the program version of the budget, many trust accounts are included in the “all funds” reporting of program spending in order to give a more complete picture of the cost of the program. These accounts can be identified by looking for “trust spending” in the program budget under each program. In the on-line version of the program budget, search on “trust” under “funding sources” to see programs funded from trust accounts.

## **Local Aid**

Local aid represents Section 3 of the bill. Local aid contains a descriptive narrative of funding impact on the 351 municipalities in the Commonwealth based on budget recommendations, as well as a detailed alphabetical listing of all cities and towns and recommended funding levels for local aid including Chapter 70 and unrestricted local aid.

## **Outside Sections**

The outside sections are shorter pieces of legislation that are attached to the budget to legally implement recommendations of the budget. Often times, an existing law must be changed to make the provisions of the recommended budget possible. An outside section may impose a financial impact or suggest a language change. All outside sections are in narrative format. This begins with section 4 of the bill.

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## How to Read an Outside Section

The following outside section example authorizes limited transferability between line items in the same executive office after a 15 day notice to the Legislature:

### Line-item Transferability

SECTION 30. Notwithstanding any general or special law to the contrary, the secretary of administration and finance may authorize the transfer of funds from any item of appropriation for fiscal year 2010 for any executive branch agency to any other item of appropriation for that agency or within its executive office. No transfer authorized by this section shall exceed 5 per cent of the amount appropriated for an item. The secretary of administration and finance shall notify the house and senate committees on ways and means 15 days before a transfer pursuant to this section.

## Tax Expenditure (TE) Budget

While the Commonwealth collects more than \$21 B in taxes each year, there are numerous exemptions to the current tax law which are estimated to cost the state more than \$14 B in FY 2014. This is significantly less than last year's total of \$26 B. In July 2012, legislation was enacted stating explicitly that "sales that do not involve tangible personal property shall not result in tax expenditures". Because of this five considerably large TE items were removed from the total.

## How to Read a Tax Expenditure

A tax type, such as personal income tax, contains all the elements of personal income tax expenditures. By this we mean that it contains the federal classification of the tax, the description, the legal reference (the Internal Revenue Code), and the estimated amount of potential revenue to the Commonwealth that is "lost" due to this exemption.

Class ID Number:	1.010	Exemption of Workers' Compensation Benefits
Description:		Workers' compensation benefits are not taxed. These are benefits paid to disabled employees or their survivors for employment-related injuries or diseases.
Internal Revenue Code:		Origin: IRC § 104 (a)(1)
Revenue "Loss":		Estimate: \$7.5

## Resources

Additional resources are located in the final section of Volume 2, including:

- **Budget Downloads** - This section links users to many documents that can be downloaded including:

**Budget Data:** these sections can be downloaded in Excel

- Appropriation Recommendations (Line Items)
- Budget Recommendations (Programs)
- Local Aid Distributions
- Historical Spending
- Historical Budget
- FY14 Budget Comparison

**Budget Documents:** these sections can be downloaded in pdf only

- Volume 1 – in its entirety or individual sections
- Volume 2 – in its entirety or individual sections

- **Related Legislation and Executive Orders**

This section links users to relevant statutes and Executive Orders useful in understanding the Budget Recommendation and state government in general.

- ***University of Massachusetts' Donahue Institute Economic Outlook Report***

The *Economic Outlook Report* is prepared by the Massachusetts State Data Center (Mass SDC) at the University of Massachusetts Donahue Institute and is relevant in evaluating the economic and financial condition and prospects of the Commonwealth of Massachusetts

- ***Glossary of Budget Terminology***

The glossary is an alphabetical list of terms, acronyms, and concepts that are particularly significant in understanding the development and presentation of the Governor's Budget Recommendation.

- ***Program Structure***

This is a listing of the three-tiered program hierarchy used in the program version of the FY2014 Governor's Budget Recommendation. It includes all Government Functions, Program Categories, and Programs with a short description for each term.

## ***Table of Contents***

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<b>Budget Message .....</b>	<b>1-17</b>
A Message from the Governor .....	1-19
A Message from the Secretary of Administration and Finance .....	1-21
Program Based Budgeting Message .....	1-25
Summary of Fiscal Year 2014 Budget .....	1-27
Investments in Education, Transportation and Innovation .....	1-27
Strategic Goals in Serving our Commonwealth .....	1-28
Raising Revenue for Critical Investments .....	1-29
Summary of Spending Changes from FY 2013 .....	1-31
Revenue Initiatives and Other Budget Solutions .....	1-32
Building on Record of Reforms .....	1-33
<b>MassResults.....</b>	<b>2-35</b>
MassResults .....	2-37
Building a Results-Oriented Government.....	2-37
What is MassResults? .....	2-37
Making Government More Effective .....	2-37
Making Government More Accountable .....	2-41
Making Government More Open.....	2-43
Your MassResults.....	2-44
<b>Issues in Brief .....</b>	<b>3-45</b>
<b>Governor Patrick's Priorities .....</b>	<b>3-47</b>
Investing in Education to Close the Achievement Gap .....	3-49
Investing in Innovations & Infrastructure to Create Jobs, Expand Opportunity.....	3-53
Expanding Access to Affordable, Quality Health Care .....	3-57
Building Stronger, Safer Communities through Positive Youth Development & Youth Violence Protection.....	3-71

<b>Changing the Way Government Does Business .....</b>	<b>3-75</b>
Raising Revenue for Critical Investments .....	3-77
Transportation Reform .....	3-82
Workforce Development and Community Colleges Reform .....	3-86
Higher Education Affordability .....	3-88
Retiree Health Reform.....	3-90
Investing in our Communities .....	3-93
Public Housing Reform.....	3-98
Pharmacy Reform .....	3-100
Innovations to Improve Operations.....	3-102
Access for Children, Youth, and Families .....	3-106
Lowering Health Care Costs to Businesses.....	3-108
Sheriff Funding Review .....	3-112
Court Re-Alignment.....	3-114
Accelerated Energy Program .....	3-116
Improving Government Performance.....	3-118
<b>Budget Recommendations .....</b>	<b>4-121</b>
FY 2014 Budget Recommendations.....	4-123
Executive Overview of Government Functions.....	4-123
Program Category Budget Detail .....	4-125
Program Budget Recommendations .....	4-152
<b>Aid to Cities and Towns .....</b>	<b>5-267</b>
Local Aid .....	5-269
Section 3 Aid to Cities and Towns .....	5-273